

CHAPTER 3

APPLICATION INSTRUCTIONS, NARRATIVE QUESTIONS, FORMS AND REVIEW PROCEDURES

Section 300 Purpose

This chapter has two major components. The first component, Sections 301 to 305, contains the Housing Trust Fund (HTF) Application Package instructions. It contains instructions to apply for capital funds from the HTF including set-asides and the federal HOME program and all necessary forms. The Home Ownership Application instructions and forms are contained in Chapter 6 of this Handbook. The information provided by applicants in response to the application package is the basis for all funding decisions. If you need clarification on the guidelines for questions in the application or documentation required, refer to Chapter 2 of this Handbook.

The second component, Sections 306 to 308, describes CTED procedures for reviewing, evaluating and underwriting applications, notifying applicants of funding decisions, and submitting requests for reconsideration.

Application Instructions

Applications must be **submitted in two stages** approximately one month apart. The purpose of the first stage is to provide CTED with an indication of the amount of funds that will be requested and the types of projects proposed. It also allows additional staff time to review financial statements.

Stage 1

Stage 1 of the application consists of one copy of the following:

- The completed project summary form (Form 1).
- Audited financial statements for the past two years including an OMB circular A-133 supplement as appropriate, any audit findings, corrective action plan, management letter and agency response.
- If the applicant organization has not been audited, the previous fiscal year financial statement and year to date statement certified by the applicant's C.F.O.
- If the applicant has not been audited, submit copies of filed tax return 990 forms for the past two years if a nonprofit organization or submit the previous year 990 form if the applicant is new and only has one. Please note if you have requested an extension for the 2001 return and when the return will be sent to the IRS.
- If the proposed request of funds exceeds HTF funding limits (see Section 201.3), a letter addressed to the Assistant Director of the Housing Division requesting a waiver from the limit, including a discussion of the reasons for the request. The maximum award amount provided to a rental housing project is \$1.5 million per funding round. More than one project may be proposed, but the applicant is limited to \$2 million per funding round. The maximum award amount for a homeownership or single family rehabilitation project is \$500,000.

- Due Date: **5:00 p.m. on Wednesday, March 5, 2003.** There will be no exceptions to this deadline. Faxed or emailed materials will not be accepted.

NOTE: Applicants must pass Stage 1 requirements in order to be considered for Stage 2.

Stage 2

Stage 2 of the application consists of the remaining application requirements as described in this chapter.

Complete the application in accordance with the Application Table of Contents provided. Create tabs, using the numbering system in the table of contents located in Section 309. Numbers have been assigned to all questions requiring narrative responses and all forms. Do not substitute any forms. Place the responses and attachments under the appropriate tab in the following order: narrative response, form and attachments.

Use the Application Table of Contents as a handy checklist for ensuring that your application is responsive to all application format and threshold requirements.

Application Format

All applications must be submitted in the following format:

- One original and 3 copies
- Original of full market study, environmental assessment and appraisal. Executive summaries in copies.
- The application is letter size (8.5" x 11")
- Minimum 12-point font size used for all narratives
- Narratives can be in bulleted statements.
- Organized in format as illustrated in Table of Contents (Section 309)
- Tabs in HTF prescribed format as in Table of Contents (Section 309)
- All budgets and forms are in prescribed format
- The application is contained in an appropriately sized three-ring binder

Due Date: Stage 2 documents are due to CTED Housing Division by 5:00 p.m. April 2, 2003.

Section 301 Project Summary Instructions (Form 1)

301.1 Eligible Applicant

- Organization Name: Provide the full, legal name of your organization as it is shown by the Secretary of State in your incorporation documents. Do not use abbreviations or acronyms.
- Organization Address: Provide the mailing address of your organization.
- Organization's Unified Business Identifier (UBI): Used by the Secretary of State.

- Organization Type: Check the type of eligible organization in space provided.
- Executive Director Name: Provide name of the head of your organization, such as executive director, CEO, etc.
- Phone: Provide the telephone number for your executive director.
- Fax Number: Provide the main FAX number for your organization.
- E-Mail: Provide the e-mail address used by the executive director of your organization.
- Project Contact Name: Provide name of person who can answer questions regarding this project.
- Project Contact Organization: Provide name of project contact's organization, if different from the applicant's organization.
- Project Contact Address: Provide address of contact person, if different from the organization mailing address.
- Project Contact Phone: Provide the telephone number of the contact person.
- Project Contact FAX: Provide the FAX number of the contact person.
- Project Contact E-Mail: Provide the e-mail address of the contact person.
- Application Contact Information (if different from Project Contact above): Provide name of person who can answer questions regarding this application, name of organization, address, phone, FAX and e-mail address.

301.2 Eligible Activity

- Project Name: Provide the full name of your project. Make sure this is the same project name you use on applications to other funders.
- Project Address or Location: Provide the street address of the project or the legal description of the property if no street address.
- County: Provide name of the county where project is located.
- State Legislative District: Provide the **state** legislative district number where the project is located, **not** your organization's office.
- Federal Congressional District: Provide the **federal** congressional district where the project is located.
- Housing Stock Status: Check one.
- Project Activities: Check all that apply.

301.3 Target Populations

Check all that apply and enter number of units and beds for each special needs population group.

301.4 Proposed Number of Units Per Size and Income Level

Enter the number of proposed units by size for each income level to be served.

301.5 Permanent Capital Funding Sources and Total Development Costs

- Residential: List all residential capital funding sources for the project and residential development cost subtotal. Enter funding sources as committed/conditional or proposed, as applicable.
- Housing Trust Fund: This is where you include all funds you are requesting from the regular Housing Trust Fund that are not Set Asides.
- HTF Set-Aside: This is where you specify any funds you are requesting from one of the Set Asides. Set-Asides include Farmworker Housing, Homeless Families With Children and Survivors of Domestic Violence.
- Non-Residential: List all non-residential capital funding sources for the project and non-residential development cost subtotal. Enter funding sources as committed/conditional or proposed, as applicable.
- Total Development Costs: Enter total project funding, both residential and non-residential.

301.6 Signature of Authorized Official

Provide name, signature and title of person authorized to submit application. Enter date of application.

Section 302 Questions Regarding Project Design

302.1 Project Description (Form 2)

Provide a succinct, but complete description of the project and the population to be served.

302.2 Site and Project Readiness (Form 3)

Provide a description of the proposed or actual site and discuss any issues of site control, zoning, special permits, environmental hazards and licensing and how they can be resolved in a timely manner.

302.3 Project Schedule (Form 4)

The project schedule (Form 4) and cash flow statement (Form 11) should indicate that all proposed and conditional funds will be committed within 12 months of the HTF fund award and that the project can be completed within two years of the HTF contract execution date.

- List each task for the project in chronological order and enter a projected completion date and responsible party for each task. At a minimum, show projected dates for commitment of all funding sources, any land use approvals, and milestones for property acquisition and/or construction.

- The information you provide in the project schedule must be consistent with the information provided on the cash flow statement.

302.4 Tenant Relocation Plan (Form 5)

Describe the process to be used for relocation, either permanent or temporary, and how these activities will be funded. If relocation activities are not necessary, skip to subsection 302.5.

302.5 Linkage with Local Plans and Programs (Form 6)

Describe and document the project's consistency with local plans and programs.

Section 303 Questions Regarding How the Project Meets the Needs of the Target Population

303.1 Need for Project (Form 7)

The project design and scope of work must be consistent and feasible and respond to a housing need identified by the local community and/or the state. Need for housing for the target population and targeted income levels must be supported by a market study and/or other type of needs assessment. Elements of the project must meet all threshold and eligibility requirements of the funding sources, including target population and affordability. Support services are included, if appropriate.

303.2 Support Services for Special Needs Projects (Form 8)

This section must be completed if special needs populations are identified in the Project Summary. If support services are not required, skip to the next question.

Section 304 Questions Regarding Project Financial Feasibility

304.1 Development Budget (Forms 9, 9A, 9B)

Note: Forms 9A, 9B, 9C are available in Excel format on the Washington State Housing website.

Estimates in the development budget should be reasonable, cost effective, and appropriate to the scale and complexity of the project. For multi family projects and subdivision developments, documentation of estimates by an independent, professional third party is required by HTF. Rehabilitation projects must include a written capital needs assessment prepared by an independent, professional third party, assessed scope of work with cost estimates and life cycle analysis plus replacement reserves to address scheduled replacements.

See details in Form 9.

304.2 Development Budget Narrative (Form 9C)

- Use the chart provided in 9C to explain how the cost for each residential expense was determined and when the estimates were made.
- Identify who made the estimates and the assumptions used in making such estimates.

304.3 Financing Details, Residential Unit Cost and Financing Detail, Bridge & Permanent Financing (Forms 10A, 10B)

Note: Form 10B is available in Excel format on the Washington State Housing website.

- Enter the amounts requested, calculate the values as indicated on the Residential Unit Costs/Financing Detail form.
- Discuss your proposal for terms of the HTF award on Form 10A.
- If applicable, include funding commitment letters

304.4 Estimate of Cash Flow During Development (Form 11A)

Note: Form 11A is available in Excel format on the Washington State Housing website.

- Provide a cash flow analysis of your development budget from pre-development through completion of construction.
- On the form provided, write the month and year of the beginning quarter of the project. Although space for 10 quarters is provided, this does not imply that your project will or should take that much time to complete. Be sure your schedule corresponds with your funding sources' requirements for completion.
- At the bottom of the page, note any potential for lags in the flow of cash that could jeopardize the project.
- A "Sample Estimate of Cash Flow During Development" (11B) follows the form.

304.5 Proposed Rent Levels (Form 12)

For projects providing rental housing:

- Complete the Rent Worksheet. To complete percent of median income served column of the worksheet, use the current HUD Household Income Table to identify the percent of median income household served in each category of housing unit. The most current HUD Income Table can be found at www.huduser.org/datasets/il.html. In reading the HUD tables, low income means 80 percent of the area median income and very low income means 50 percent of the area median income. The information you provide on this table should be consistent with the information provided on the project summary sheet.

304.6 Operating Pro Forma (Form 13A)

Note: Form 13A is available in Excel format on the Washington State Housing website.

- Complete all 15 years of the pro forma.
- Use an income inflation factor of 2.5 percent per year. Use an expense inflation factor of 3.5 percent per year. The inflation factor should be used for each line item.
- If DCR does not conform to guidelines in Section 204.7, provide justification and attach as an additional page.

- Include all services on the support services budget whether or not your organization will provide them. Include services on the operating pro forma **only** if your organization provides the services.

304.7 Details of Operating Budget Revenues and Expenses (Form 13B)

Note: Form 13B is available in Excel format on the Washington State Housing website.

Provide brief explanation of operating budget line items. Attach additional pages, if necessary.

304.8 Details of Service Revenue and Expenses (Form 14)

Complete this form if applicable to your project. Indicate term of commitment for each committed services funding source.

Section 305 Questions Regarding Organizational Capacity of Applicant

The applicant must demonstrate that the skills and experience of the development team and the property management team, and the capacity of the organization are appropriate to the size and complexity of the project. The applicant must be able to demonstrate its management ability through fiscally sound accounting practices. The management plan must reflect responsible operation and maintenance of the project to ensure long-term viability for the length of commitment.

305.1 Management Team and Management Plan (Form 15)

Describe key property management team and management plan.

305.2 Experience of Applicant/Development/Management Team (Forms 16A, 16B)

Describe your organization's experience and capacity to develop the type of housing you are proposing.

305.3 Financial Capacity of Applicant (Form 17)

Describe the financial stability of the agency.

Section 306 HTF Application Intake, Threshold, Evaluation, and Award Procedures

The following are procedures CTED will follow to process applications received to complete threshold reviews, evaluate projects, and to make awards. These directions are intended for CTED Housing Division staff and they generally refer to the steps staff will follow in this phase of the application process.

- Verify if each application meets the 5 p.m. deadline on the application due date.
- Check each application to ensure that all the required documents are included in application.
- Use the Threshold Checklist to track the application intake, adherence to format guidelines and threshold requirements.
- Evaluate and underwrite each application in the areas of target population, project design, project financial feasibility and applicant's organizational capacity.

- In the event that there are not enough monies to fund all qualifying applications, rank applications based upon the priorities in RCW 43.185.070, giving first priority for funding to those projects that use existing privately owned housing stock. Second priority will be given to projects that use existing publicly owned housing stock.
- Awards will be made and successful applicants notified.

306.1 Intake

All applications must be delivered in person or by mail to the Department of Community, Trade and Economic Development, Housing Division, by 5:00 p.m. on the application due date that is published for each funding round. Faxed or e-mailed applications will not be accepted.

- Upon receipt of each application, staff will date and time stamp the application.
- Staff will enter data from the application face sheet into the HTF database.

306.2 Application Format and Review

Staff will review the application format using the Threshold Checklist. The following actions will be taken.

- Staff will count the number of applications submitted by each applicant to ensure that one original and 3 additional copies are included as part of each submittal.
- Staff will verify that the application is printed on regular size paper (8.5" x 11") and at a minimum 12-point font size is used for narratives.
- Staff will ensure that each application is tabbed and is enclosed in a three-ring binder.
- Staff will check that the Project Schedule, Development Budget, Development Budget Narrative, Cash Flow Statement, Proposed Rent Levels, Operating Proforma, Details of Operating Expenses, Details of Service Expenses and Subsidies are included in the prescribed format.

306.3 Threshold Review

Staff will ensure that the application includes all the following required information and documentation as described in Section 207.3. Staff will use the Threshold Checklist.

Threshold Review Process for Stage 1 and Stage 2.

The purpose of the threshold review is to ensure that the application is complete before it is reviewed.

- Applicants will receive written or emailed notification of the need to correct omissions in the application format and threshold items.
- Applicants will have 5 business days to submit missing materials.
- Applicants who fail to submit the missing items within 5 business days or who submit items considered unresponsive to HTF guidelines will not receive further consideration.
- Applications that fail or are unresponsive will not be accepted and will not receive further consideration for the current funding cycle.
- The threshold review process is a pass/fail review with no scoring.
- Applicants will be notified that they have passed Stage 1 review.

Stage 1

Threshold requirements for Stage 1 of the application are one copy each of the following:

- Project Summary
- Audited Financial statements
- If no audit, financial statements and tax forms.
- Request for funding limit waiver, if applicable.

NOTE: Applicants must pass Stage 1 requirements in order to be considered for Stage 2.

Stage 2

Stage 2 Threshold Review

Threshold requirements for Stage 2 of the application are:

Project Summary Form:

Any changes to the Project Summary Form submitted during Stage 1 must be clearly identified (e.g. highlighted, bolded, italicized).

Formatting

- One original and 3 copies
- Original of full market study, environmental assessment and appraisal. Executive summaries in copies.
- The application is letter size (8.5" x 11")
- Minimum 12-point font size used for all narratives
- Narratives can be in bulleted statements.
- Organized in format as illustrated in Table of Contents (Section 309)
- Tabs in HTF prescribed format as in Table of Contents (Section 309)
- All budgets and forms are in prescribed format
- The application is contained in an appropriately sized three-ring binder
- **Eligible Applicant**
 - o CTED staff will verify that all applicant information has been entered in the Program Summary.
 - o Staff will review the certification found in Tab 17 from the Washington State Secretary of State to verify that the applicant is registered to do business in Washington as a nonprofit organization in accordance to RCW 24.03.
 - o Staff will review the letter in Tab 17 from the Internal Revenue Service that designates the applicant as a tax -exempt nonprofit organization.
 - o Staff will confirm the applicant is eligible under Section 202.1.
- **Eligible Activities**
 - o Staff will verify that the applicant has entered all necessary information in the Program Summary.
 - o Staff will review the Program Summary to confirm the type of activity being proposed is eligible under section 202.3.

- **Eligible Project Type**
Staff will check the proposed project type against the list of eligible/ineligible project types listed in section 202.2.
- **Funding Limits Section**
Staff will review the applicant request for HTF funds to determine if the requested amount from HTF is not more than \$1.5 million per project or \$2 million per applicant or if greater than those amounts, a request for waiver has been made with the assistant director of the Housing Division.
- **Appraisal**
Staff will check for an appraisal or property tax assessment in Tab 9, if applicable to the project.
- **Environmental Site Assessment**
Staff will verify that there is an environmental site assessment report for multi-family projects and subdivision developments, which have site control, in Tab 3.
- **Site Control Documentation**
 - o Identification of a site or actual site control is required for multi-family or single-family subdivision projects.
 - o Staff will review information on site identification or verify evidence of site control in Tab 3 by inclusion of one or more of the following: deed of trust; current option; current purchase and sale agreement; current title report showing entity holding fee simple title; executed lease agreement or an executed disposition and development agreement. Projects which have not obtained site control must discuss potential site(s).
 - o There is an exception from this requirement for homebuyer programs, homeowner rehabilitation, and single-family homes serving homeless people and people with special needs.
- **Evidence of Licensing**
Staff will verify in Tab 8 that the application includes the appropriate license for the population proposed to be served, if required. For example, projects for adult family homes and assisted living require a boarding home license from DSHS. If the applicant will be seeking an initial license, the application must include a letter of support from the licensing agency.
- **Evidence of Financial Commitments**
Staff will review the sources and uses in the development budget found in Tab 9 in addition to the letters in Tab 10 from the sources confirming commitment to the project.
- **Signed Board Resolution**
Staff will verify that the application contains a signed resolution from the applicant's board of directors authorizing submittal in Tab 17.

- **Zoning and Local Approval**
Staff will verify that the application contains evidence in Tab 3 from the local jurisdiction that the site is properly zoned or assurances that decisions regarding variances or special use permits will be obtained prior to HTF contract execution.
- **Consistency with Local Plans**
Staff will verify that the application contains a letter of consistency with local Consolidated Plan and if applicable Homeless Continuum of Care Plan in Tab 6. Projects covered by the State's Consolidated Plan need not submit a letter of consistency, as consistency will be verified by CTED staff.
- **Capital Needs Assessment for Rehabilitation Projects**
Staff will verify that the application contains a capital needs assessment for multi-family rehabilitation projects in Tab 9.
- **Construction Costs Estimate**
Staff will verify that the application contains a construction cost estimate in Tab 9 that is prepared by an independent, professional third party. If an applicant has site control, the construction cost estimate must be submitted with the application. If site control has not been obtained, the cost estimate must be submitted upon receipt of site control.
- **Market Study**
Staff will verify that a market study for multi-family projects and single-family subdivisions is included in Tab 7. The market study must be dated no more than 12 months prior to the application deadline and prepared by an independent, professional analyst who is on the Washington State Housing Finance Commission's approved analyst list. If an applicant has site control the market study must be submitted with the application. If site control has not been obtained, the market study must be submitted upon receipt of site control.

A market study must accompany the application and is required for:

- multi-family projects (see glossary)
- single family subdivision projects
- condominiums
- mobile home parks.

Market studies are not required for:

- Scattered site single family projects - rental or homeownership
- Projects for persons with Developmental Disabilities (DD)
- Projects for persons with chronic mental illness (CMI)
- Projects for homeless persons that only have that single use
- Domestic violence (DV) projects
- Special needs projects for persons with chronic substance abuse issues combined with homelessness and/or other conditions requiring intensive support services.
- Group foster care projects
- Tribal projects on tribal land.
- Rent subsidized multi-family projects (project-based)

- **Project Schedule**

Staff will verify that the application contains a project schedule demonstrating that the project can be completed within 2 years of executing a contract and that all proposed and conditional funds will be committed within 12 months of the HTF award in Tab 4.

- **Additional Threshold Requirements**

In addition to verifying that the application contains the required documentation, staff will verify that the applicant has complied with all HTF reporting requirements for 2001 and 2002. Staff will also verify that HTF loans are current and performing pursuant to the terms and conditions of such loans. This includes, but is not limited to, timely submission of annual reports, repayment of loans, and timely completion of projects within budget.

Applications will receive a pass/fail after the application format and threshold items have been checked. Applicants will receive written notification of the need to correct minor omissions in the application format and threshold items. Applicants will have 5 business days to submit missing materials.

Applicants who fail to submit the missing items within 5 business days or who submit items that are considered to be unresponsive to HTF guidelines will not be given further consideration. Applications that pass will move to project review and underwriting.

306.4 Project Review and Underwriting

- Staff will separate the applications into three groups for review: King County, Urban Areas Outside of King County and Rural Areas.
- Each group will read and evaluate applications to determine to what extent the proposed project meets HTF criteria, is complete and responds to the questions in four major categories: (1) how the project meets the needs of the target population, (2) project design, (3) financial feasibility, and (4) organizational capacity. Groups will use scoring sheets to record comments. Applications are also evaluated for their general quality.
- Staff will contact applicants for clarification about their responses to the question and for additional information, if needed, during the evaluation and underwriting period.

CATEGORY I - PROJECT DESIGN

- **Project Description (Form 2)**

- o Staff will review the application to verify that the design elements are included and responsive to the target population.
- o Staff will review the application to determine if the proposed scope of work is adequate and if sustainable construction features are included in the design.
- o Staff will review information provided on environmental/hazardous materials (Phase 1 Assessment), engineering and architectural studies and reports to determine if proposed scope of work incorporates recommendations made in the studies and reports.

- **Site and Project Readiness (Form 3)**

- o Staff will review site control discussion and documentation to determine likelihood of obtaining site control and/or if the terms of site control documents are acceptable and deadlines for closing are reasonable. HTF may recommend that the borrower negotiate an extension.
- o Staff will review the current zoning and whether the proposed use is permitted without a re-zone, variance or conditional use permit and if there are any permitting issues.
- o Staff will review zoning documents, environmental assessments, and design plans, as applicable, for adequacy and possible impact on project schedule and budget.
- o If a site has not been identified or the applicant has not obtained site control, Staff will review the adequacy of the discussion on the location being sought or the likelihood of meeting the timeline for obtaining site control.

- **Project Schedule (Form 4)**

Staff will check the project schedule and the project cash flow sheet to verify that the schedule is reasonable, is well planned, and can be completed within HTF guidelines in Section 203.5.

- o Staff will check that the schedule includes, at a minimum, projected commitment of all funds, land use approvals, and milestones for acquisition and construction.
- o Staff will review the cash flow statement and schedule to confirm the timeline for project development is consistent and reasonable.

- **Tenant Relocation Plan (Form 5)**

Staff will review the relocation plan to ensure it is appropriate, comparable units are available, the budget is adequate, and it is consistent with relocation requirements of any funding source anticipated for the project.

- **Linkage with Local Plans and Programs (Form 6)**

- o Staff will review how the project is consistent with the Consolidated Plan, the Growth Management Comprehensive Plan and, if applicable, the Homeless Continuum of Care Plan and if it will implement a strategy in one or more of the plans.
- o Staff will check that applicable letters of support and letters of consistency are submitted as part of the application.

CATEGORY II – HOW DOES THE PROJECT MEET THE NEEDS OF THE TARGET POPULATION?

- **Need (Form 7)**

Staff will review the responses to the questions regarding the need for the project and supportive documentation to determine if the need for housing for the target population has been documented in the market study or formal needs assessment or evidenced in a local or agency plan reflecting community housing needs.

- **Market Study**

Staff will review the market study to determine if demand justifies the development of the project. Staff will review the proposed market absorption rate, the market rate demand, and market vacancy rate.

- **Target Population**

- o What are the income levels of the proposed target population?
- o Are the intended tenants earning less than 50 percent of AMI? If earning from 51 to 80 percent AMI, what circumstances justify the proposal to serve that income level?

- **Duration of Low Income Benefit**

Staff will review the adequacy of the length of commitment including current and future funding streams to determine adequate support for the duration of benefit to low income or targeted households.

- **Support Services (Form 8)**

- o If supportive services are required for the target population, what is the nature and quality of commitments from service providers to provide services to the population?
- o Staff will confirm that letters from the service providers are enclosed in the application confirming they are aware of the project and are willing to provide the necessary support services and that the services match the needs of the target population.
- o Staff will confirm consistency with Continuum of Care plans and how project will bring households to self-sufficiency.

CATEGORY III – FINANCIAL FEASIBILITY

- **Developmental Budget (Forms 9A, 9B)**

- o Review the sources and uses to verify totals.
- o Review the HTF request to see if it is within the funding limit. If it exceeds the limit, has a waiver been requested from the assistant director of the Housing Division?
- o Determine if the ratio of HTF funds to other funds seems high. Have other potential sources of funding been reasonably assumed?
- o Are private sources included at a reasonable level (not too much or too little)?
- o Is there too much dependence on a single funding source?
- o Determine if there is a reasonable likelihood that the project will get the proposed funding from other sources and that the amounts and terms of the funding meet the funding guidelines for the proposed sources of funds. This will likely involve checking with a bank or other public funder(s).
- o Are there any funding constraints if a project were awarded HOME funds?

- o Is the purchase price supported by an appraisal?
- o Was the appraisal completed no more than 12 months prior to the anticipated execution of the state contract?
- o Is a construction cost estimate and/or capital needs assessment included in the proposal?
- o Staff will review the construction estimate to assess completeness and determine if costs are reasonable for location and project type.
- o Staff will review the capital needs assessment to evaluate if the proposed improvements will render the project viable over the proposed life of the project. Staff will verify that the capital needs assessment is the basis for the rehabilitation construction cost estimate and will assess the suggested reserve contribution.
- o Are the construction contingencies adequate (10 percent for new construction, 15 percent for rehabilitation)? Staff will verify that the construction contingencies comply with guidelines in Section 204.2.
- o Is hazardous materials testing and any required remediation budgeted appropriately? If further testing was recommended, identify the timeline for completion.
- o Are legal fees and permits in line?
- o Is relocation, either temporary or permanent, budgeted adequately?
- o Are there replacement and operating reserves budgeted in accordance with HTF guidelines in Section 204.5?
- o Is the amount from HTF proceeds allocated to developer fee in the development budget not more than 10 percent of the total amount requested from HTF?
- o Are the architect and engineer fees reasonable?
- **Development Budget Narrative (Form 9C)**
 - o Are the line items in the development budget reasonable given how expenses were determined? Take into account what assumptions were used.
 - o How do they compare to other similar projects HTF has funded previously?
 - o Were estimates made by an independent, professional third party?
- **Residential Unit Cost and Financing Detail (Forms 10A, 10B)**
 - o If the project includes non-residential space, are the costs separated from the housing costs and is an eligible source identified to pay for non-residential costs? Are all other financing amounts and terms clearly explained?
 - o Does applicant rank projects if more than one application is submitted?
 - o Is there a discussion of attempts to leverage other funds?

- **Estimate of Cash Flow During Development (Form 11A)**
Do the funding sources and amounts noted in the cash flow statement match those on the Project Summary and Development Budget?
 - o Does the estimate support the project schedule?
 - o Are fund sources clearly identified and are they consistent with Project Summary and Development Budget?
- **Proposed Rent Levels (Form 12)**
 - o Do the numbers and units match those on the Project Summary and do the proposed rents meet HTF affordability guidelines?
 - o Are rents accurately calculated for the target population(s)? Staff will verify proposed rent calculations using HUD income guidelines and FMRs.
- **Operating Pro Forma (Form 13A)**
 - o Are the income and expense assumptions reasonable?
 - o Is rental income in the operating budget the same as proposed on the rent schedule?
 - o Are there other sources of income such as laundry, parking, commercial/retail, and do they seem reasonable or likely?
 - o Are utilities budgeted appropriately?
 - o Are maintenance and repairs reasonable?
 - o Administrative charges should be budgeted (compliance, office supplies, bank charges, telephone).
 - o Is the vacancy rate projected to be at least 5 percent?
 - o Are the annual inflation factors 2.5 percent for gross income and 3.5 percent for operating expenses?
 - o Are the on-site and off-site management fees reasonable and similar in cost to recently funded similar projects?
 - o Are replacement reserve and operating reserve payments reasonable? Staff will review the operating budget to verify that the NOI includes operating and replacement reserves.
 - o If the project has an elevator, is there a line item budgeted for elevator maintenance?
 - o Is Debt Coverage Ratio sufficient for private and public debt? (Staff will calculate the overall DCR using the following formula: Net Operating Income/current amortizing debt = Debt Coverage Ratio.) Staff will verify that the DCR is within HTF guidelines in Section 204.7.

- o Does the proposed operating pro forma verify that the proposed loan terms are feasible for the type of project and to ensure long-term viability?
- o Staff may contact the applicant to negotiate the terms of the loan based upon the guidelines in section 201.5
- **Details of Operating Budget Revenues and Expenses (Form 13B)**
Are actual costs used as a basis for expense estimates? If not, what is the basis for the estimates and is this reasonable?
- **Details of Service Revenues and Expenses (Form 14)**
 - o Does the support service budget account for all services provided?
 - o Are the funding sources for the support service budget realistic?
 - o Is funding for support services potentially available on an ongoing basis? If not, what plans are there in the event a specific funding source is lost?
 - o If cash flow is intended to pay for support services, specific approval from staff is required. Review detailed information on the type and amount of services and make recommendation for approval or disapproval.

CATEGORY IV – ORGANIZATIONAL CAPACITY

Staff will review the following elements to assess the capacity of the organization to develop and manage the proposed project:

- **Management Plan (Form 15)**
 - o Does the proposed management plan seem reasonable given the population to be served and the type of housing project?
 - o Is there an appropriate process for determining eligibility and tenant selection?

Staff will discuss the proposed property manager's track record and any problems or concerns with compliance staff.

Experience of Applicant/Development/Management Team(s) (Forms 15, 16A, 16B)

- o Staff will review and evaluate the application to determine if the skills and experience of the development team and the property management team are appropriate to the size and complexity of the project.
- o Staff will review the information submitted by the applicant to assess the degree to which the development and property management team members can successfully develop and/or manage the proposed project.
- o Staff will review the borrower's track record to determine performance and ability to meet contracted outcomes.
- o Staff will review the borrower's record in completing annual reports and other required reports.

- **Financial Capacity of Applicant (Form 17)**
 - o Staff will review the borrower's financial audit, financial statements and 990's (if applicable) and will calculate key liquidity and leverage ratios.
 - o How long has the applicant been in operation?
 - o Does the applicant have sufficient experience in managing and accounting for public funds?
 - o Is there a current report from the licensing agency, if applicable?

Staff will confirm submission of and adequacy of the list of board members, board resolution, current Secretary of State certification, and IRS tax exempt status documentation.

After applications have been evaluated and projects underwritten they will be grouped by geographic regions and ranked according to the score they received. If there are more qualifying applications in any one geographic group than the amount of funds allotted to the group, applications will be ranked according to the priorities outlined in RCW 43.185.070.

Section 307 Award of Funds

Award announcements to HTF applicants, legislators and other interested parties will be made upon completion of HTF application review, staff recommendations, and HTF funding decision processes.

307.1 Notification

Applicants, legislators and other interested parties will receive prompt notification of HTF funding decisions. Award notification will occur approximately 10 weeks after the submission of HTF applications.

- **HTF Applicants**
Staff will provide a funding award or denial letter to all applicants within 7 working days of completion of the HTF funding decision process.

Funding award letters will include:

- o HTF loan terms;
- o Any award conditions; and
- o The name of the assigned contract manager for each project.

Funding denial letters will identify the reasons for the denial and the lead HTF application reviewer for each project as a point of contact.

- **Legislators**
Staff will provide written notification to legislators regarding funding awards in their legislative districts. Such notification will be provided simultaneously with notification to HTF applicants. Legislative letters address the following items:
 - o Identify the applicant and project name;
 - o Project location; and
 - o A brief description of the project, including award amount.

- **Other Interested Parties**

Staff will post a copy of the HTF funding award list on the Housing Division web site at <http://housing.oed.wa.gov>. HTF staff will also forward the list, upon request, in electronic or in hard copy form, to all interested parties.

Section 308 Reconsiderations

HTF applicants may request reconsideration of the denial of HTF funding for projects.

- Reconsideration requests must be submitted to the Assistant Director of the Housing Division within 10 working days of applicant's receipt of HTF award notifications.
- Staff will review each request and provide summaries to CTED Management.
- Staff will contact applicants, as necessary, to request additional information regarding their request for reconsideration.
- Response to an applicant's request will be provided within 15 working days of HTF's receipt of the request for reconsideration.
- Requestor will receive a written detailed response stating the basis for CTED's decision.

Section 309

**Housing Trust Fund Application,
Narrative Questions
and
Forms**

THRESHOLD CHECKLIST USED BY INTAKE STAFF

1 INTAKE

Applicant: _____

Project Name: _____

Number of Copies: _____

Date Application Received: _____ Time: _____

Type of Delivery (Check One) In person _____ Mail _____

STAFF _____

Please indicate Pass/ Fail for this section only: ☐ Fail ☐ Pass

2 APPLICATION FORMAT AND REVIEW

	One original and 3 copies
	The application is letter size (8.5" x 11")
	Minimum 12-point font size used for all narratives
	Organized in format as illustrated in Stage 2 Application Table of Contents
	Tabs in prescribed format as in Stage 2 Application Table of Contents
	All budgets and forms are in prescribed format
	The application is contained in an appropriately sized three-ring binder

THRESHOLD CHECKLIST - Continued

3 THRESHOLD REQUIREMENTS

	Eligible Applicant as described in Sections 105 & 202.1
	Eligible Activities as described in Section 106 & 202.3
	Eligible Population as described in Section 107 & 202.4
	Eligible Project Type as described in Section 202.2
	Affordability as defined in Section 203.1
	Length of Commitment as described in Section 203.2
	Funding Limits as described in Section 201.3
	Application Format as described in Section 207.2
	Appraisal as described in Section 205.6
	Market Study as described in Section 205.1
	Environmental Site Assessment as described in Section 205.3
	Identification of site or site control documentation as described in Section 205.2
	Zoning & local approval documents as described in Sections 203.4 & 205.9
	Special Needs Documentation as required by contract as described in Section 205.5
	Evidence of financial commitments as described in Section 204.9
	Signed board resolution as described in Section 206.4
	Financial statements and IRS 990 as described in Section 206.1
	Evidence of compliance with HTF reporting requirements as described in Section 207.4
	Loans must be current and performing as described in 207.4
	Capital needs assessment for rehabilitation projects as described in Section 205.8
	Schedule indicates project completion within two years of HTF contract execution as described in Sections 203.5 & 208.2
	Construction cost estimate as described in 205.7

All applications that pass the threshold review will be deemed ready for project evaluation and underwriting.

Housing Trust Fund Application Reminders

Stage 1	Due Date:	5:00 p.m.	March 5, 2003
Stage 2	Due Date:	5:00 p.m.	April 2, 2003

Application Format:

- ◆ One original and 3 copies
- ◆ Original of full market study, environmental assessment and appraisal;
Executive summaries in copies
 - ◆ The application is letter size (8.5" x. 11")
 - ◆ Minimum 12 point font size used for all narratives
 - ◆ Narratives can be in bulleted statements
- ◆ Organized in format as illustrated in Table of Contents (Section 309)
- ◆ Tabs in HTF prescribed format as in Table of Contents (Section 309)
 - ◆ All budgets and forms are in prescribed format
- ◆ The application is contained in an appropriately sized three-ring binder

NOTE: The Project Summary Form is submitted during Stage 1 and Stage 2. In Stage 2, clearly identify any changes to the Project Summary Form (e.g. highlighted, bolded, italicized).

**HOUSNG TRUST FUND
STAGE 1 APPLICATION
TABLE OF CONTENTS/CHECKLIST**

TAB #	TOPIC/ QUESTION	FORM #	ATTACHMENT/ DOCUMENT	APPLICANT CHECKLIST
	Project Summary	1	Audited financial statements (2 years)	
			If no Audit: <ul style="list-style-type: none"> · IRS 990s, note 2001 extension request if applicable · Most recent fiscal year financial statement and year to date financial statements. 	
	Waiver Request (only if project exceeds funding limits)			

NOTE: Applicants may use these forms as a checklist to ensure all topics/questions and attachments/documents have been addressed.

**HOUSING TRUST FUND
STAGE 2 APPLICATION
TABLE OF CONTENTS/CHECKLIST**

TAB #	TOPIC/ QUESTION	FORM #	ATTACHMENT/ DOCUMENT	APPLICANT CHECKLIST
1	Project Summary	1		
2	Project Description	2		
3	Site & Project Readiness	3	<ul style="list-style-type: none"> · Site Control · Zoning & local approval letter · Phase 1 environmental site assessment 	
4	Project Schedule	4		
5	Tenant Relocation Plan	5		
6	Linkage with Local Plans & Programs	6	<ul style="list-style-type: none"> · Program linkage/direct support letters · Consistency with local plans letters 	
7	Need for Project	7	<ul style="list-style-type: none"> · Market study 	
8	Support Services	8	<ul style="list-style-type: none"> · Support service commitment letters · Support services licensing documentation 	
9	Residential Development Budget Non-Residential Development Budget Development Budget Narrative	9A 9B 9C	<ul style="list-style-type: none"> · Appraisal or property tax assessment · Capital needs assessment · Construction cost estimate · Tax credit factor calculation · Tax credit development budget · Tax credit period operating pro forma 	
10	Financing Details Residential Per Unit Cost Data and Bridge & Permanent Financing	10A 10B	<ul style="list-style-type: none"> · Funding commitment letters 	
11	Estimate of Cash Flow During Development Sample Estimate of Cash Flow	11A 11B		
12	Proposed Rent Levels	12		
13	Operating Pro forma Operating Pro forma Narrative	13A 13B		
14	Detail of Service Revenue & Expenses	14		
15	Management Team & Management Plan	15	<ul style="list-style-type: none"> · Resumes (optional) 	

**HOUSNG TRUST FUND
STAGE 2 APPLICATION
TABLE OF CONTENTS/CHECKLIST (CONTINUED)**

TAB #	TOPIC/ QUESTION	FORM #	ATTACHMENT/ DOCUMENT	APPLICANT CHECKLIST
16	Experience of Applicant/Developer Team Projects Completed and Under Development	16A 16B	<ul style="list-style-type: none"> · List of development team members · List of property management team members 	
17	Financial Capacity of Applicant	17	<ul style="list-style-type: none"> · WA State nonprofit certification · IRS nonprofit letter · Signed board resolution · List of board members 	

For applicants who are using the HTF application format to apply to local jurisdictions (e.g. City of Seattle), the following is an example of how supplemental sections can be incorporated into the format.

**SEATTLE
SUPPLEMENTAL APPLICATION**

TAB #	TOPIC/ QUESTION	FORM #	ATTACHMENT/ DOCUMENT	APPLICANT CHECKLIST
6	Community Notification Plan			

Form 1
PROJECT SUMMARY

1.1 Eligible Applicant

NOTE: For Stage 2 please identify any changes (e.g. highlighted, bolded, italicized) from Stage 1.

Organization Name : _____

Address: _____

Unified Business Identifier: _____

Federal Tax I.D. Number: _____

Organization Type (check one):

<input type="checkbox"/>	Local government
<input type="checkbox"/>	Housing Authority
<input type="checkbox"/>	Nonprofit Community Based Organization
<input type="checkbox"/>	Indian Tribe
<input type="checkbox"/>	Regional Nonprofit Housing Assistance Organization
<input type="checkbox"/>	Statewide Nonprofit Housing Assistance Organization
<input type="checkbox"/>	Regional Support Network
<input type="checkbox"/>	Qualified Tenant Organization
<input type="checkbox"/>	Public Development Authority
<input type="checkbox"/>	Community Housing Development Organization (CHDO)
<input type="checkbox"/>	Community Based Development Organization (CBDO)

Executive Director Name: _____

Phone: _____ Fax Number: _____ E-mail: _____

Project Contact Name: _____

Organization: _____

Address: _____

Phone: _____ Fax Number: _____ E-mail: _____

Application Contact Name (if different than Project Contact above): _____

Organization: _____

Address: _____

Phone: _____ Fax Number: _____ E-mail: _____

1.2 Eligible Activity

Project Name: _____

Project Address or Location: _____

Project Tax Parcel Number(s), if available _____

County: _____

State Legislative District: _____

Federal Congressional District: _____

For Acquisition and/or Rehabilitation Housing Stock Only (check one):

<input type="checkbox"/>	Existing Privately Owned
<input type="checkbox"/>	Existing Publicly Owned
<input type="checkbox"/>	Other (please specify)

Project Activities (check all that apply):

<input type="checkbox"/>	Acquisition	<input type="checkbox"/>	Multi-family
<input type="checkbox"/>	Rehabilitation	<input type="checkbox"/>	Single Family
<input type="checkbox"/>	New Construction	<input type="checkbox"/>	Emergency Shelter
<input type="checkbox"/>	HUD/USDA Preservation	<input type="checkbox"/>	Transitional Shelter

1.3 Target Populations

Populations (check all that apply):

<input type="checkbox"/>	Families
<input type="checkbox"/>	Individuals
<input type="checkbox"/>	Special Needs

Length of Commitment to Target Population: _____ (Must be at least 40 years)

Number of Units/Beds per Special Needs Populations:

Units	Beds	Population
		Mentally Ill
		Developmentally Disabled
		Domestic Violence
		Elderly
		Homeless
		HIV/AIDS
		Alcohol/Substance Abuse
		Farmworker
		Youth Under Age 21
		Other

1.4 Proposed Number of Units Per Size and Income Level

% Median Income	Studio	One Bedroom	Two Bedroom	Three Bedroom	Four Bedroom	Five Bedroom	Beds	Totals

1.5 Permanent Capital Funding Sources and Total Development Cost

Residential

Source	Proposed Funding	Committed/Conditional Funding	Total Funding
Housing Trust Fund (HTF)			
HTF Set-Aside (specify)			
Residential Development Cost			

Non-Residential

Source	Proposed Funding	Committed/Conditional Funding	Total Funding
<i>Non-Residential Development Cost</i>			

Total Development Cost

	Proposed Funding	Committed/Conditional Funding	Total Funding
TOTAL DEVELOPMENT COST			

1.6 Signature of Authorized Official

Signature: _____ Title: _____

Name: _____ Date: _____

Form 2
PROJECT DESCRIPTION
(Limit response to two pages)

- Provide a complete but succinct description of the project and the population to be served. Include the following:
 - o Describe the property to be acquired, constructed and/or rehabilitated. Include a physical description of the planned project that includes the size, number of stories, type of construction, layout of the buildings, and any other unique features of this particular project and target population.
 - o If existing buildings, give the date of construction.
 - o If your organization already owns the project, when did your organization purchase it and what was the purchase price?
- Provide a detailed description of any planned construction, rehabilitation or other site improvements, including project design elements. If a rehabilitation project, explain why rehabilitation is preferred over new construction and environmental or abatement issues for this project and population.
- Provide a description of the type of household to be served, including information such as the number of tenants, the size and description of the households, and known special characteristics of tenants (i.e., age, disabilities, special needs, etc.). Also include a description of the living arrangement (i.e., individual apartments, shared housing with onsite management, etc.).
- Describe any design features or material specifications that accomplish the following:
 - Promote the health and safety of the residents.
 - Make the project more durable/sustainable over its lifetime.
 - Minimize the use of resources in either construction or operation of the building.
 - Increase affordability for residents who will pay at least a portion of their utility bill
- Explain why the chosen design features are responsive to the housing needs of the target population.
- Describe the location of the project and its surrounding neighborhood. Include a discussion of transportation options, nearby services, etc.

Form 3
SITE AND PROJECT READINESS
(Limit response to two pages)

Provide a description of the proposed or actual site and discuss any issues of site control, zoning, special permits, environmental hazards and how they can be resolved in a timely manner. Be sure to describe:

- Current status of architectural plans and design, and project financing and how they contribute to the timeliness of the proposed schedule.
- Zoning for the site and if the proposed project is consistent with existing zoning requirements and the permit process. If the project is not consistent with zoning describe what you are doing about it. Ensure critical decision points are included in Form 4, Project Schedule.
- Issues or hazards, man-made or natural, associated with the site that will affect its development and/or use for housing. Include a discussion of any recommendations for mitigation of existing conditions noted in the Phase I Environmental Assessment. For rehabs, discuss any recommendations for abatement of asbestos, lead paint, or mold noted in the Hazardous Material Survey.
- In the case of scattered site rentals, if a site has not been identified, describe the characteristics of the location being sought and document the availability of applicable sites and the timeline for obtaining site control.
- **Attachments in this Tab:**
 - o Documentation of site control if project is multi-family or subdivision development.
 - o Letter from local planning department verifying that proposed project is consistent with existing zoning or if a variance or special use permit is needed, the letter should provide assurance that approval can be obtained prior to HTF contract execution.
 - o Phase I Environmental Survey. Full survey in original application. Executive Summary in copies.

FORM 4

PROJECT SCHEDULE

SCOPE OF WORK		
<u>Task</u>	<u>Projected Completion Date</u>	<u>Responsible Party</u>

Describe any aspects of the project that may lead to delays (e.g., zoning, siting) and how the schedule will be adapted to respond.

[illegible]

Form 5
TENANT RELOCATION PLAN
(Limit response to one page)

Describe the process to be used for relocation, either permanent or temporary, and how these activities will be funded. If relocation activities are not necessary, skip to Form 6.

- Note the availability of comparable replacement units.
- Include a budget for relocation showing estimates of staff time and using the maximum benefits allowed to people being displaced.
- Show how the relocation plan is consistent with the relocation requirements of any of the fund sources anticipated for the project.

Form 6
LINKAGE WITH LOCAL PLANS AND PROGRAMS
(Limit response to one page)

Describe and document the project's consistency with local plans and programs.

- Address consistency with the following:
 - Local Comprehensive Plan - Cite a policy or goal in the plan that this project is implementing. Specify which county or city plan you are citing. This item does not apply to projects located in the following counties and cities within these counties: Adams, Asotin, Cowlitz, Grays Harbor, Klickitat, Lincoln, Okanogan, Skamania, Stevens, Wahkiakum, Whitman.
 - Local Consolidated Plan. - If the jurisdiction where the project is located does not have a local Consolidated Plan, it must be consistent with the state's Consolidated Plan.
 - If applicable, Homeless Continuum of Care Plan
 - If applicable, any housing plans or programs for special needs groups

DO NOT attach copies of the plan documents.

- Describe linkages with any local or state programs that will provide support for the project.
- Attachments in this Tab:
 - Letter of consistency with Consolidated Plan (If jurisdiction does not have a consolidated plan, the state plan serves as the applicable document.)
 - If applicable, letter of consistency with Continuum of Care Plan.

Please note: It is wise to make your request for such letters as early in the process as possible. It can take time for a jurisdiction to produce such letters.

Form 7
NEED FOR PROJECT
(Limit response to two pages)

- Describe the nature and magnitude of the problem or need this project is designed to address.
- For permanent housing projects for low-income families or individuals, describe and document the housing market conditions, including vacancy rates for targeted income levels. Documentation must specifically reference the area where the project will be located.
- Include data specific to the population you are proposing to serve and specific to the geographic area where the project will be located. Examples of data that may be used are market studies, housing needs studies and plans, housing condition surveys, and agency client surveys. If you refer to waiting lists, surveys or list of pre-qualified renters or homebuyers, you must cite your references.
- For special needs projects, provide data about the housing needs of the population you are planning to serve.
- If a market study is required, summarize the findings and describe how the study supports the design of this project.

- **Attachments in this Tab:**

Market Study, if one is required. Place full study in original application, executive summary in copies.

A market study must accompany the application and is required for:

- o multi-family projects (see glossary)
- o single family subdivision projects
- o condominiums
- o mobile home parks.

Market studies are not required for:

- o Scattered site single family projects - rental or homeownership
- o Projects for persons with Developmental Disabilities (DD)
- o Projects for persons with chronic mental illness (CMI)
- o Projects for homeless persons that only have that single use
- o Domestic violence (DV) projects
- o Special needs projects for persons with chronic substance abuse issues combined with homelessness and/or other conditions requiring intensive support services.
- o Group foster care projects
- o Tribal projects on tribal land.
- o Rent subsidized multi-family projects (project-based)

Form 8
SUPPORT SERVICES FOR SPECIAL NEEDS PROJECTS
(Limit response to one page)

This section must be completed if special needs populations are identified in the Project Summary. If support services are not required skip to the next question.

- Describe your process of assessing the service needs of residents.
- What services will be available to residents on-site and who will provide these services? Describe the provider's experience in offering this type of service.
- If services will be provided off-site, describe what services will be available and how residents will access those services (i.e., what modes of transportation will be used?).
- If support services have not been committed, outline the steps that will be taken and the timeframe needed to secure the necessary support.
- For project serving homeless persons: How will the services provided help increase self-sufficiency of the residents?
- **Attachments in this Tab:**
 - Letters from service organizations confirming they are aware of the project and are willing to provide the necessary support services.
 - For projects that will require licensing (federal, state or local) or some other form of approval: letters or other proof of current licensing/approval or letters indicating ability to receive such licensing/approval. Examples include but are not limited to:
 - Housing for persons with developmental disabilities (letter from appropriate DSHS Regional Office confirming they are aware of and approve the proposed project).
 - Housing for persons with mental illness (letter from lead person of the Residential Services Network [RSN] confirming the project is consistent with the RSN's plan)
 - Projects providing housing for youths under age 18 require a license for DSHS.

Form 9
DEVELOPMENT BUDGET

NOTE: Forms 9A, 9B, and 9C are available in Excel format on the website

Estimates in the development budget should be reasonable, cost effective, and appropriate to the scale and complexity of the project. For multi family projects and subdivision developments, documentation of estimates by an independent, professional third party is required by HTF. Rehabilitation projects must include a written capital needs assessment prepared by an independent, professional third party, assessed scope of work with cost estimates and life cycle analysis plus replacement reserves to address scheduled replacements.

- Separate forms are to be used for residential and non-residential development costs. Enter the development costs by line item, by type, and by funding source as indicated on the forms. Enter the costs you are requesting from the state under the HTF column. Cells that are blacked out mean that HTF capital funds cannot be used to cover those costs (relocation and operating reserves). If there are other funding sources, fill out a separate column for each funding source. Enter the name of the funding source at the top of its respective column. Use only one funding source per column. If more columns are needed, add an additional page.
- On 9A, provide the total developmental costs (residential and non-residential totals) in the first column. Provide the residential totals and costs by line and by column as indicated on the form.
- On 9B, provide the non-residential totals and costs by line and by column as indicated on the form.
- Separate residential from non-residential costs where indicated on the budget form.
- Check Sections 204.9, 205.6, 205.7 and 205.8 relating to the following items. If applicable, include the following in Tab 9 after the budget form:
 - Appraisal
 - Construction cost estimates
 - Capital needs assessment and life cycle cost analysis. The estimated useful life estimates of a life cycle cost analysis must come from a nationally recognized organization such as “Marshall and Swift”.
 - LIHTC factor calculation
 - LIHTC development budget
 - LIHTC period operating pro-forma
 - LIHTC self score estimate
 - Discussion of the status of investor negotiations.

**The forms on the following three pages
(Forms 9A, 9B, & 9C)
are also located in Excel format
on the
Washington State Housing website.**

Form 9B (Spring 2003)
NON-RESIDENTIAL DEVELOPMENT BUDGET
(Available in Excel format on the Washington State Housing website)

Note: Add an extra page if more columns are needed. Do NOT combine funding sources in a column.

Non-Residential	Non-Residential			
Total	Source	Source	Source	Source
Acquisition Costs:				
Purchase Price				
Liens				
Closing, Title & Recording Costs				
Extension payment				
Other: _____				
SUBTOTAL				
Construction				
Basic Construction Contract				
Bond Premium				
Infrastructure Improvements				
Hazardous Abate. & Monitoring				
Construction Contingency (%) SEE BELOW				
Sales Taxes				
Other Construction Costs: _____				
Other Construction Costs: _____				
SUBTOTAL				
Development				
Appraisal				
Architect/Engineer				
Environmental Assessment				
Geotechnical Study				
Boundary & Topographic Survey				
Legal				
Developer Fee				
Project Management				
Technical Assistance				
Other Consultants: _____				
Other: _____				
SUBTOTAL				
Other Development				
Real Estate Tax				
Insurance				
Relocation				
Bidding Costs				
Permits, Fees & Hookups				
Impact/Mitigation Fees				
Development Period Utilities				
Construction Loan Fees				
Construction Interest				
Other Loan Fees (Impact Capital, State HTF, et c.)				
LIHTC Fees				
Accounting/Audit				
Marketing/Leasing Expenses				
Carrying Costs at Rent up				
Operating Reserves				
Other: _____				
SUBTOTAL				
Total Non-Residential Cost				

***Minimums: 10% New Construction, 15% Rehabilitation. Please explain variations**

RESIDENTIAL DEVELOPMENT BUDGET NARRATIVE

For each cost item, explain the basis for the cost, note when the estimate was made, and identify who made the estimates.

Total Cost	

[illegible][illegible][illegible]

Form 10A
FINANCING DETAILS
(Limit response to one page)

- If you are submitting more than one application during this round, please list the name of each project and provide a rank ordering with the highest priority project listed first.
- What efforts have you made to leverage other funds that are not included in the project summary?
- Complete Form 10B – Financing Details (EXCEL Spreadsheet)
- Add any clarifying information , as necessary, on your proposal for terms of the HTF award as listed in Permanent Financing (Form 10B)
- **Attachments in this Tab:**
 - Funding commitment letters

**Form 10B
on the following page
is also located in Excel format
on the
Washington State Housing website.**

Form 10B (Spring 2003)

RESIDENTIAL PER UNIT COST DATA AND BRIDGE TO PERMANENT FINANCING

NOTE: Available in Excel format on the Washington State Housing Division website

Summary of Development Costs

Total Development Cost	_____	\$0	
Less Non-Residential Cost	_____	\$0	
Total Residential Cost	_____	\$0	Repeat as A below

Residential Unit Cost

A.	Total residential development cost	_____	\$0	A
B.	Number of residential units (pads for mobile home parks, bedrooms for shelters, group homes, and other forms of shared housing)	_____		B
C.	Maximum number of individuals to be housed	_____		C
D.	Number of households to be served	_____		D
E.	Number of residential square feet	_____		E

Bridge & Permanent Financing Detail

Bridge Financing

Source	Amount	Interest Rate	Term	Source of Repayment
Total of all Bridge Financing	\$0			

Permanent Financing

Source	Amount	Interest Rate	Term	Comments (If tax credit, indicate 4% or 9%)
Total of Permanent Financing	\$0			

= "Total Development Cost" in Project Summary

**Form 11A
on the following page
is also located in Excel format
on the
Washington State Housing website.**

Form 11A (Available in Excel format on the Washington State Housing website)
ESTIMATE OF CASH FLOW DURING DEVELOPMENT
(Spring 2003)

Project Name:

SOURCES AND AMOUNT OF REVENUE:

	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 5	Quarter 6	Quarter 7	Quarter 8	Quarter 9	Quarter 10	Totals
	Mo./Yr.	Mo./Yr.	Mo./Yr.	Mo./Yr.	Mo./Yr.	Mo./Yr.	Mo./Yr.	Mo./Yr.	Mo./Yr.	Mo./Yr.	
<i>Short-term Financing</i>											

Subtotal

Permanent Financing

Subtotal

Total Revenue By Quarter

--	--	--	--	--	--	--	--	--	--	--	--

cross-check

EXPENSES:

	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 5	Quarter 6	Quarter 7	Quarter 8	Quarter 9	Quarter 10	Totals
<i>Acquisition Costs</i>											
<i>Construction Costs</i>											
<i>Dev. Costs: Professional</i>											
<i>Other Development Costs</i>											
<i>Repayment of Pre-Dev Loan</i>											

Total Cost By Quarter

--	--	--	--	--	--	--	--	--	--	--	--

cross-check

REMAINDER BY QUARTER:

(Revenue less Cost)

--	--	--	--	--	--	--	--	--	--	--	--

**Notes on potential cash
flow problems:**

Form 11B
ESTIMATE OF CASH FLOW DURING DEVELOPMENT - SAMPLE

SOURCES AND AMOUNT OF REVENUE:

	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 5	Quarter 6	Quarter 7	Quarter 8	Quarter 9	Quarter 10	Totals
<i>Short-term Financing</i>	3/01.	6/01	09/01	12/01	3/02	6/02	9/02	12/02	3/03	6/03	
<i>Pre-development Loan</i>	\$15,000	\$10,000	\$0	\$25,000							\$50,000
<i>Subtotal</i>											\$50,000
<i>Permanent Financing</i>											
<i>Name of Source A</i>				\$150,000		\$115,000					\$265,000
<i>Name of Source B</i>				\$150,000	\$40,000	\$110,000	\$610,000	\$330,000			\$1,240,000
<i>Name of Source C</i>				\$100,000							\$100,000
<i>Name of Source D</i>								\$145,000	\$475,000	\$380,000	\$1,000,000
<i>Name of Source E</i>	\$10,000	\$25,000	\$50,000	\$35,000	\$35,000	\$35,000	\$100,000	\$35,000	\$35,000	\$35,000	\$395,000
<i>Subtotal</i>											\$3,000,000
<i>Total Revenue By Quarter</i>	\$25,000	\$35,000	\$50,000	\$460,000	\$75,000	\$260,000	\$710,000	\$510,000	\$510,000	\$415,000	\$3,050,000
											<i>cross-check</i>

EXPENSES

	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 5	Quarter 6	Quarter 7	Quarter 8	Quarter 9	Quarter 10	Totals
<i>Acquisition Costs</i>				\$325,000							\$325,000
<i>Construction Costs</i>						\$250,000	\$700,000	\$500,000	\$500,000	\$300,000	\$2,250,000
<i>Dev. Costs: Professional</i>	\$25,000	\$35,000	\$50,000	\$65,000	\$30,000	\$10,000	\$10,000	\$10,000	\$10,000	\$80,000	\$325,000
<i>Other Dev. Costs</i>				\$20,000	\$45,000					\$35,000	\$100,000
<i>Repayment of Pre-Dev Loan</i>				\$50,000							\$50,000
<i>Total Cost By Quarter</i>	\$25,000	\$35,000	\$50,000	\$460,000	\$75,000	\$260,000	\$710,000	\$510,000	\$510,000	\$415,000	\$3,050,000
											<i>cross-check</i>

REMAINDER BY QUARTER:
(Revenue less Cost)

	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Notes on potential cash flow problems:											
	Total project cost = \$3.0M with \$50,000 from the WCDLF Pre-Development Loan Fund										

Helpful Hint: First complete the expense section and then complete the revenue section. Also note that the total expended appears to be \$50,000 in excess of the \$3.0M project cost. This is because the pre-development loan payoff is included as an expense

**Form 12
on the following page
is also located in Excel format
on the
Washington State Housing website.**

Form 12 (Spring 2003)
PROPOSED RENT LEVELS
(Available in Excel format on the Washington State Housing website)

% of Median Income Served	Number of Units	Size (Number of Bedrooms)	Household Size (Number of Proposed Tenants/ Units)	Rental Subsidy* (If Applicable)	Proposed Tenant Paid Monthly Rent	Monthly Total Income For Units	Tenant Paid Monthly Utilities	Total Monthly Rent and Utilities	Annual Total Income For Units**
<u>TOTALS</u>									

***If the project is operating with a Section 8 project based HAP contract, include the Section 8 contract rent in this column and leave the "Proposed Tenant-Paid" column blank**

****Annual total income for units must match Operating Pro Forma's "Year 1 Gross Residential Income."**

**Forms 13A and 13B
on the following two pages
are also located in Excel format
on the
Washington State Housing website.**

Operating Pro Forma (Spring 2003)

REVENUES

Gross Rental Income

+

+

$$=$$
$$=$$

—

—

$$=$$

—

—

Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0

Complete all 15 years of the pro forma and provide descriptions of operating and service expenses

Residential Income (Use 2.5 percent/year inflation factor)
(From Rent Level Form)

Other Revenue Sources and Operating Subsidies

Total Residential Income

Vacancy Factor

Less Residential Vacancy (at 5%)

Less Non-Residential Vacancy (at 10%)

Effective Gross Income

Operating Expenses (Use 3.5 percent/year inflation factor)

Heat

Electric

Water & Sewer

Garbage Removal

Contract Repairs

Maintenance and janitorial

Replacement Reserve

Operating Reserve

Management

Off-site

Management

On-site

Insurance

Accounting

Marketing

Real Estate Taxes

Other

Services (enter details on Form 14)

Total Expenses

Net Operating Income (Income – Total Expenses)

Debt Service
On Lender

Loan Rate
%

Amortize
(Years)Term
(years)

1_____

2

3

Total Debt Service

**Projected Gross Cash Flow
Debt Coverage Ratio (DCR)**

Form 13B (Spring 2003)
DETAILS OF OPERATING BUDGET REVENUES AND EXPENSES
This form is available in Excel format on the Washington State Housing website.

Operating Revenues

Source	Proposed	Conditional/Committed	Total
<i>Total Operating Revenues</i>			

Operating Expenses

(Indicate whether or not estimates are based on current operations. If not, on what basis is each estimate made?)

Heat	
Electric	
Water & Sewer	
Garbage Removal	
Contract Repairs	
Maintenance and Janitorial (pest control, fire safety, painting and decorating, etc.)	
Replacement Reserve	
Operating Reserve	
Off-Site Management	
On-Site Management	
Insurance	
Accounting	
Marketing	
Real Estate Taxes	
Other (include identification of items and cost estimates for each)	

**Form 14
on the following page
is also located in Excel format
on the
Washington State Housing website.**

Form 14 (Spring 2003)
DETAILS OF SERVICE REVENUE & EXPENSES
 (This form is also available in Excel format on the Washington State Housing website)

Indicate each source of Service Revenue, the corresponding term of commitment and the revenue committed from that source in years one, five and ten.

Service Revenue	Term of Commitment	Year 1 Revenue	Year 5 Revenue	Year 10 Revenue
TOTALS		\$	\$	\$

Indicate each type of Service Expense and the amount of that expense for years one, five and ten. Include all services on the support services budget whether or not your organization will provide them. Include services on the operating pro-forma only if your organization provides the services.

Service Expenses	Year 1 Expense	Year 5 Expense	Year 10 Expense
TOTALS	\$	\$	\$

	Year 1	Year 5	Year 10
Total Revenues Less Expenses			

Form 15
MANAGEMENT TEAM AND MANAGEMENT PLAN
(Limit response to one page)

- Provide an outline showing basic elements of the existing or future management plan.
- Briefly describe your process for tenant selection including market strategy, management (both on- and off-site) and facility maintenance.
- Specifically describe how you will assure initial income eligibility of the residents of the proposed project.
- List key property management staff and their experience, including their experience managing this type of project.
- **Attachments in this Tab:**
Resumes of management team members (optional)

Form 16A
EXPERIENCE OF APPLICANT/DEVELOPMENT TEAM

- Describe your organization's experience and capacity to develop the type of housing you are proposing.
- List key development team staff and their qualifications.
- Complete Form 16B – Projects Completed and Under Development
 - Complete one copy of this form for your organization
 - Complete a second copy of this form for your housing developer if you have contracted with a separate entity to do your development work
- **Attachments in this Tab:**
Resumes of development team members (optional)

Form 16B
PROJECTS COMPLETED AND UNDER DEVELOPMENT

Name of Organization: _____

COMPLETED PROJECTS

Name	Location	# of Units	Year Completed	Total Project Cost	Sources of Financing

PROJECTS UNDER DEVELOPMENT

(Include all projects currently under construction or projects for which you plan to seek funding in the next 6 months or have received at least one funding commitment)

Name	Location	# of Units	Funding Status	Begin Construction	Complete Construction	Key Staff

Recommended categories for "Funding Status": Partially funded; Fully funded

Form 17
FINANCIAL CAPACITY OF APPLICANT

- Describe the financial stability of the agency, including any recent audit findings and how your agency is resolving them.
- **Attachments in this Tab:**
 - Current certification from the Washington State Secretary of State that the applicant is registered as a nonprofit organization.
 - Letter from IRS that applicant is tax-exempt nonprofit organization.
 - Signed board resolution or a copy of board minutes authorizing submittal of an HTF application.
 - List of current board members, addresses, phone numbers, occupations & board tenure.
 - Current report from the licensing agency, if license is required.

**Form 18
on the following page
is also located in Excel format
on the
Washington State Housing website.**

Form 18 (Spring 2003)
Operating and Maintenance Fund
Subsidy Worksheet
(Available in Excel format on the Washington State Housing website)

	O & M Fund Subsidized Units (a)	Total Project Units (b)
1 Number of Housing Units		
2 + Rental Income		
3 + Other Revenue Sources		
4 + Operating Subsidy Income (non-O & M Fund)		
5 = Effective Gross Income	\$0	\$0
6 - Total Expenses		
7 = Net Operating Income (loss)*	\$0	\$0
8 = Requested O & M Fund subsidy	\$0	
9 - Debt Service		
10 = Cash Flow	\$0	\$0

11 O & M Fund Subsidized Units as a % of Total Project Units 0%

12 Housing Expenses of O & M Fund-Subsidized Units
as a % of Total Project Expenses 0%

13 Maximum Expenses for O & M Fund-Subsidized Units
((O&M units/Total Project Units)*Total Expenses) \$0*

14 Eligible O & M Fund Subsidy Amount -\$0*

NOTES:

* The proportion of the Housing Expenses of O & M Fund-Subsidized Units to the sum of Housing Expenses of the Total Project Units may not exceed the proportion of O & M Fund-Subsidized Units to Total Units. The "Maximum Expenses for O & M Fund Subsidized Units" and "Net Operating Income (Loss)" calculations will reflect these proportions.

Chapter 3 of the Housing Trust Fund (HTF) Guidelines and Procedures Handbook, Form 10: Details of Operating Budget Revenues and Expenses and Form 11: Details of Service Revenues and Expenses, should be consistently reflected in this form. Expenses should be listed within their respective categories on the form. HTF defines housing expenses as costs normally incurred to provide housing to extremely low-income tenants.

Form 18A
Operating and Maintenance
Fund
Subsidy Worksheet Sample

	O & M Fund Subsidized Units (a)	Total Project Units (b)
1 Number of Housing Units	15	20
2 + Rental Income	\$60,000	\$120,000
3 + Other Revenue Sources		\$1,000
4 + Operating Subsidy Income (non-O & M Fund)	\$5,000	\$5,000
5 = Effective Gross Income	\$65,000	\$126,000
6 - Total Expenses	\$80,000	\$120,000
7 = Net Operating Income (loss)*	(\$15,000)	\$6,000
8 = Requested O & M Fund subsidy	\$15,000	
9 - Debt Service		\$1,000
10 = Cash Flow	\$0	\$5,000
11 O & M Fund Subsidized Units as a % of Total Project Units	75%	
12 Housing Expenses of O & M Fund-Subsidized Units as a % of Total Project Expenses	67%	
13 Maximum Expenses for O & M Fund-Subsidized Units ((O&M units/Total Project Units)*Total Expenses)	\$90,000 *	
14 Eligible O & M Fund Subsidy Amount	\$15,000 *	

NOTES:

* The proportion of the Housing Expenses of O & M Fund-Subsidized Units to the sum of Housing Expenses of the Total Project Units may not exceed the proportion of O & M Fund-Subsidized Units to Total Units. The "Maximum Expenses for O & M Fund Subsidized Units" and "Net Operating Income (Loss)" calculations will reflect these proportions.

Chapter 3 of the Housing Trust Fund (HTF) Guidelines and Procedures Handbook, Exhibit 3-10: Details of Operating Budget Revenues and Expenses and Exhibit 3-11: Details of Service Revenues and Expenses, should be consistently reflected in this form. Expenses should be listed within their respective categories on the form. HFU defines housing expenses as costs normally incurred to provide housing to extremely low-income tenants.

SECTION 310

Operating and Maintenance Fund

Section 310 Operating And Maintenance Fund

310.1 Background and Purpose

The 2002 Washington State Legislature passed SHB 2060 that requires county auditors to charge a ten-dollar recording fee on all recorded documents with the exception of those previously excluded from any fees. A portion of the revenue from the fees is deposited into the Washington Trust Account (Housing Trust Fund). The purpose of the funds is to support operations and maintenance costs of housing projects or units within housing projects that are affordable to extremely low-income persons with incomes at or below thirty percent of the area median income and that require a supplement to rent revenue to cover ongoing operating expenses. The Operating and Maintenance Fund (O&M Fund) is part of the Housing Trust Fund (HTF) and will be used to support projects receiving capital dollars from the HTF. The legislation charged the Washington State Department of Community, Trade and Economic Development (CTED) with the responsibility of administering the O&M Fund. The Housing Division of CTED will administer the O&M Fund.

Except as otherwise noted in this application, the Housing Trust Fund (HTF) Guidelines and Procedures Handbook will apply to the O&M Fund. **However, these guidelines do not govern the portion of the revenue that is set aside for costs of the Emergency Shelter Assistance Program (ESAP).** Refer to WAC 365.120 for rules governing the ESAP.

310.2 Program Focus

It is estimated that approximately \$5 million of HTF O&M Funds will be available in State Fiscal Year 2003 (July 1, 2003 – June 30, 2004) to organizations eligible to receive funds from the HTF. CTED intends to support eligible projects at no more than \$50,000 per year for up to 20 years or a minimum of \$25,000 per year for up to 40 years. Subsidy amounts will be based on applicant demonstration of need and the costs for comparable projects. CTED's goal is to ensure the geographic distribution of funds to a mix of extremely low-income households.

310.3 Eligible Projects

New and existing projects developed using HTF capital dollars that provide housing to extremely low-income households are eligible. To be eligible for O&M funds, units must be occupied by households that have incomes equal to or less than 30 percent of the area median income (as adjusted for household size).

CTED will consider funding existing projects for extremely low income households, farmworker projects and projects for persons with developmental disabilities if all private and public debt repayment on units serving households at or below 50 percent of AMI has been eliminated AND any asset management issues are reviewed and resolved

310.4 Eligible Applicants

All organizations listed in the HTF Guidelines and Procedure Handbook Chapter 202.1, Eligible Applicants.

310.5 Geographic Distribution of Funds

Funds will be distributed geographically using the same percentage goals that are established for the HTF. For Spring 2003, this will be King County, 40 percent; Urban Non-King counties, 30 percent; Rural counties, 30 percent.

310.6 Funding Limits

Maximum funding will be no more than \$50,000 per project per year for up to 20 years or \$25,000 per year for up to 40 years. CTED will conduct annual reviews of operating budgets to ensure that continued subsidy is necessary for the viability of the project.

310.7 Tenant Rents

Eligible households will pay no more than 30 percent of adjusted monthly gross income for rent and any allowable tenant-paid utilities associated with a project. Contractors may request alternate rent schedules to meet unique program objectives; specific requirements will be outlined in contracts. Annual project budgets should reflect estimated rental income based on program design unique to each project.

Household income is to be reviewed annually and the project contractor may adjust rental payments accordingly. If a household's income changes prior to the annual review (due to loss of a job, addition of a household member, death of a household member, etc.), rents can be adjusted accordingly.

Some households may have little or no income when first moving into housing. In these instances, the minimum rent may be waived or reduced until the household qualifies for public assistance or becomes employed. At the annual review, the subsidy amount may be adjusted if it is found that tenants are able to pay rent earlier than projected.

310.8 Adjustments to Gross Income

When determining rents, contractors will use the existing methodologies for adjusting gross income using HUD's "Technical Guide for Determining Income and Allowances for the HOME Program". In addition to the HUD methodologies, the following adjustments may be used:

For a household having medical expenses in excess of three percent of their annual income, gross income can be adjusted by the amount in excess of three percent. These expenses can also include non-medical expenses for the assistance and care of household members who are handicapped or disabled.

The amount for child care (for children under 13 years of age) when it is necessary for the employment of an adult household member, or for his or her further education. The estimated cost of care can be deducted from gross income. The amount must reflect the reasonable cost of care and cannot exceed household income.

310.9 Non-Subsidized Units

When a household subsidized by the HTF O&M Fund has an increase in income greater than 30 percent of the area median income, the unit is no longer eligible to receive subsidy. At the annual review, subsidy would be discontinued and the subsidy to the project adjusted accordingly. The household earning over 30 percent of the area median income may have an adjustment to its rent depending on the project's current operating expenses.

310.10 Tenant-Paid Utilities

If the cost of utilities is not included in the tenant rent but is the responsibility of the household occupying the unit, an amount equal to the estimate made or approved by the local Public Housing Authority (PHA) is subtracted from the total tenant payment to produce the monthly rent the tenant would pay the contractor. In this situation, tenants would be responsible for paying their utilities directly, regardless of the amount.

310.11 Management Plan and Maintenance Plan

A management plan is required for each application for the O&M Fund. The plan must be consistent with the guidelines in the Handbook Chapter 205.4. We recommend using the Local Initiatives Support Corporation (LISC) Build a Manual Software Series “Property Management Operating Procedures”.

Additionally, each project must have a maintenance plan that describes how the building will be maintained. It should describe the acceptable condition for each room (living room, bathroom, kitchen, bedroom), common space (hallways, stairs, lobby), building systems (heating and plumbing), and building exterior (roof, walls, foundation, chimney). It should also include a schedule for both exterior and interior maintenance of the building. For example, maintenance standards for interior stairs could be that the stairs have lights that work, and the railings be safe and in good condition. The plan must also describe how long term maintenance will be accomplished.

310.12 Operating Budget and Use of Funds

An operating budget in the required format must be submitted with each O&M Fund application for subsidy. (See HTF Guidelines and Procedures Handbook, Chapter 3 and Exhibit). For the annual review, an actual financial statement for the previous year and a proposed operating budget for the following year will be required. The budget must be based on the State’s fiscal year, which begins July 1 unless the recipient receives written permission from HTF to use a different fiscal year.

- Eligible uses of O&M Fund include costs for:
- On-site salaries and benefits including all personnel costs directly associated with operating the building.
- Off-site management including overhead and personnel costs that are necessary to operate the building but are not located at the site.
- The cost of a financial audit in relation to the total HTF investment in the project.
- Administrative expenses such as legal, advertising and marketing, insurance, collection loss, property and personal property taxes.
- On-going maintenance expenses such as materials, janitorial supplies, maintenance contracts, security and other maintenance expenses.
- Contractor paid utilities specific to the project.
- Replacement Reserve additions, which are funds set-aside for the replacement of or major repair work on the component systems of a housing facility. The amount to be deposited in the replacement reserve account should be based on a capital needs assessment and on the analysis of all facility systems that will wear out over the life of the project, and the estimated costs of repairing and replacing those systems when they wear out. Long-term maintenance as well as replacement costs include such items as major repairs to or replacement of appliances and major fixtures, plumbing and heating systems and re-roofing. Short-term maintenance needs, such as periodic replacement of floor coverings, repainting units and general cleaning, should be budgeted through standard maintenance funds, not replacement reserve funds.
- Operating reserve additions budgeted each year to cover unforeseen operating costs. The amount is normally to be 3 months of all expenses during the first year of operations, except long-term replacement reserve items. The reserve will be allowed to accumulate until the amount is equal to 50 percent of a year’s budget for operating costs. The operating reserve may also be used to pay for work which cannot be entirely funded by the maintenance reserve. As part of the management plan, each contractor must provide their policy, including procedures and eligible costs, for how operating reserve funds may be spent. The requirements and limits on replacement and operating reserves may be adjusted periodically, and/or for specific projects, by the HTF based on a review of the capital needs and operating risks of projects and of other public funder standards.

- The O&M Fund will not subsidize public or private lender debt service (including interest) or the costs of social services.

310.13 Project Selection

In response to the Spring HTF application, applicants will submit proposals for O&M Fund subsidy along with their application for the HTF. Sponsors of existing projects that have been funded by HTF should contact Corine Knudsen at (360) 725-2931 or corinek@cted.wa.gov for instructions on applying for O&M Funds. Application requirements for the O&M Fund will be included with the HTF application.

The project review process considers the following project characteristics:

- HTF criteria found in Chapter 2 of the HTF Guidelines and Procedures Handbook. Projects applying for O&M Funds must be projects applying concurrently to the HTF unless a previously HTF funded project.
- The reasonableness of the proposed operating budget;
- The amount of other operating support funds leveraged by the project including federal, other state and local support.
- The adequacy of the management plan for the proposed tenant population and building, and the experience of the contractor;
- The scope of the project design and whether the work uses sustainable construction materials and methods;
- The adequacy of the maintenance plan in maintaining the building and preventing long-term maintenance problems;
- O&M Fund assisted units may not have debt service. Units not assisted with O&M funds in mixed income projects may have debt service.

310.14 Subsidy Term

HTF will commit up to a maximum of 40 years of an O&M Fund subsidy for a project. Funding will begin on the date of project completion. O&M Fund awards are subject to availability of funding and to annual reviews that may result in adjustments to subsidy amounts or discontinuance of subsidy, in the discretion of CTED. For example, subsidies to HTF units may be reduced or discontinued if increasing revenues from other housing units, commercial space, or alternative subsidy sources are available to a project, or if insufficiency of currently available or projected HTF resources requires CTED to prioritize among projects receiving subsidy.

310.15 Annual Reviews

CTED will conduct financial, management, operations, and maintenance reviews of projects receiving O&M Fund subsidy each year based upon material from the HTF annual report. CTED will also review the project and determine the subsidy amount for the following year. For the annual review, the contractor must provide the following materials that include but are not limited to:

- An actual financial statement, and audit, if applicable, for the project compared with the operating budget. The statement should include cumulative balances for replacement and operating reserves.
- The existing tenant profile including rental amounts charged and tenant income.
- Phased rehabilitation work planned for the next year, if any, and the source of funds for the work.
- Long-term maintenance work planned for the next year, if any. Schedule for periodic completion of a capital needs assessment that includes a life cycle cost analysis for the major building components and a 20 year schedule of replacement reserve deposits and expected expenditures.
- An operating budget for the next year with the projected monthly rent-up schedule.
- A narrative report explaining how the subsidy received in the prior year and the subsidy requested for the next year will allow the contractor to meet its subsidy goal for extremely low-income households.

310.16 Subsidy Payments and Adjustments

The amount and the conditions for annual use of the subsidy will be negotiated between CTED and the contractor, and established in an annual contract amendment. The amount of subsidy spent each year will depend on the operating budget and cannot exceed the approved annual amount. Contractors will be required to provide quarterly financial reports.